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# The **Commitment** of **NGO's** in Applying the **International Accounting Standard No. 1**

Case Study: the Palestinian Red Crescent Society in Gaza Strip

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# Dedication

*We lovingly dedicate the research*

*To our parents*

*To our families*

*To our teachers*

*To our friends*

The researchers...

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# **Terminology:**

**IAS: International Accounting Standards.**

**IASC: International Accounting Standard  
Committee**

**IFRS: International Financial Reporting Standards.**

**NGOs: Non-Governmental Organizations.**

**PRCS: Palestinian Red Crescent Society.**

**NIS: New Israeli Shekels.**

**GCC: Gulf Cooperation Council.**

## **Abstract**

**T** His study aims to identify the extent in which the non-profit organizations (NGOs) in Gaza particularly the Red Crescent apply the international accounting standard number 1 (IAS no.1) and the benefits associated with this application. On the other hand, it intends to describe the demerits that may result if IAS no.1 not implemented. Furthermore, it aims to identify the limitations faced while applying IAS no.1.

The study follows the analytical approach in order to achieve its objectives. Interviews have been conducted as a primary data collection tool. Data will be analyzed to reach an objective result regarding the extent in which NGOs apply to (IAS no.1).

The results of the study show that there is a commitment by the preparers of financial statements in NGOs in general and PRCS in particular to apply IAS No. (1), as this application has a lot of advantages. The study also reveals that there are constraints that affect the implementation of the IASs such as the lack of qualifications and experience of the staff who work in the financial department and poor attention of senior management to the financial reports.

Researchers presented some recommendations that would alleviate these constraints and to address some of them, such as Urging organizations, professional bodies, and standard issuing bodies to work on issuing or improving international accounting standards concerned with the work of NGOs, and Work on reviewing educational programs and teaching methods in Palestinian universities, also Training courses and Workshops has to be made with the use of experts in the field of accounting to develop the efficiency of the preparers of financial statements in the light of international accounting standards.

# CHAPTER 1

## GENERAL FRAMEWORK OF THE RESEARCH

- 1.1 Introduction.
- 1.2 Statement of the problem.
- 1.3 Objectives.
  - 1.3.1 Main objective.
  - 1.3.2 Specific objectives.
- 1.4 Significance of the project.
- 1.5 Scope and limitations of the research.
- 1.6 Methodology.
- 1.7 Hypothesis.
- 1.8 Related works
  - 1.8.1 ARABIC STUDIES.
  - 1.8.2 Foreign studies.



## 1.1 | INTRODUCTION

**T** His accounting standards are considered as a ruler to measure the economic behavior of different types of organizations. They are used as a basis for determining the accounting policies and procedures that must be followed in the organization (nour & aljjejawwi, 2003)

Financial accounting practices are widespread in business companies and not-for-profit institutions, these practices are fundamental in determining the outcome of these organizations and their financial position, Therefore it was necessary to focus on the need to adjust these practices to serve the beneficiaries of the results of financial accounting, both parties were represented by an internal management or staff and external parties including lenders, creditors and investors. That generates more attention of accounting bodies to set international accounting standards (Abdelqader & alkhadash, 2007).

There have been major changes in financial reporting in recent years. It was clear in the continuous adopting of IAS worldwide (IFRS pocket guide, 2011). Halbouni (2005) claims that the economic development and globalization has led companies and organizations working in the area of accounting to be in need for a unified platform, that is implemented in setting international accounting standards.

Because of the multiplicity of regional and local practices, difficulties in decision-making and in comparisons have appeared, therefore, the accounting has a major role in advancing the economic development process through the issuance of common international standards governing the accounting work.

The study is interested in the application of IAS no.1 in NGOs, meanwhile. The IAS can be defined as:" A number of laws, legislation and regulations Issued by the bodies and professional organizations, independent, and in order to organize and unify the accounting work, and the preservation of it as much as possible of harmony and compatibility between the output of the accounting system, and displayed output along with the reports to the proper end users"(Mohsen, 2008).

Furthermore, IAS no.1 is considered the most important accounting standard because it is concerned about accounting assumptions like going concern , accounting basis such as accrual basis, and the presentation of financial statements including: income statement, financial position statement, and cash flows statement.

## About financial statements

Financial statements are the output of the accounting system, which measure and present the outcome of the organization's activities to their interested parties; they include income statement, financial position statement, changes in owners' equity statement and cash flows statement in addition to the notes.

**Income statement:** represent the revenues earned and expenses incurred during a specific period of time and the resulting net income.

**The statement of financial position:** represent the financial position of an organization at a certain point in time including assets, liabilities and owners' equity.

**Changes in owners' equity statement:** summarizes the changes in the owners' equity during specific period of time

**Cash flows statement:** summarizes the cash inflows and outflows and the ending balance during a specific period of time.

**The note (footnotes):** provide further information that the users will be interested to know.

## Users of financial statements

The accounting system is providing financial information that concerning different parties (Seiam *et al*, 1998).

### A. Internal parties (inside the organization)

1. **Owners:** To make sure that their investments are receiving profits, so that they can decide whether to continue investing in the same company or looking for more profitable alternative.
2. **Management:** Management uses financial statements to know whether it is meeting the organizational goals or not and to measure its efficiency of its operations.
3. **Employees:** It is essential in order to insure job security within their organization.

### B. external parties (outside the organization)

1. **Potential investors:** They aim to choose the most profitable companies after studying their financial statements.
2. **Financial analysis:** They analyze the financial position for consultancy purposes.
3. **Lenders and suppliers:** They study the ability of meeting the financial obligations and repaying creditors.
4. **Governmental parties:** The tax department determines net profit in order to calculate the tax payment, furthermore, the ministry of planning uses the financial statement to measure the economic segments and putting strategies according to that.

Usually accountants face the risk of bias and mistakes in explaining the financial statements especially that financial statements prepared for managerial purposes differ from those prepared for tax purposes, so the financial statements can be reliably used only if the financial information has satisfied the following criterion (Jarbou, 2005).

1. The information should be objective and trustworthy in order to be used effectively in planning, controlling, and in decision making.
2. The information must have the comparability feature so that it can be used to evaluate the companies' performance and their financial position.

## NGOs in Gaza Strip

Gaza strip has been suffering from the Israeli occupation since 1967, so the need for NGOs have risen in order to relief suffered people and provide social services. Since 1994, after the Palestinian authority, NGOs have been established. The number of NGOs has continued on rising. Most of them are depending on internal or external donations as a financing source.

### 1.2|Statement of the problem

Every society has its social, cultural and financial characteristics; therefore, there are difficulties in adoption of unified international accounting standards especially in the developing countries where the standards may inconsistent with the local regulations, particularly because the standards are set by the most developed countries.

The problem of this research can be presented in the following main questions;

- To what extent the Red Crescent in Gaza strip is committed to the IAS no.1 in preparing their financial statements?
- What are the advantages of adopting the IAS no.1 in the Red Crescent in Gaza?
- What are the disadvantages of not adopting the IAS no.1?
- What are the limitations of adopting the IAS no.1 by the Red Crescent in Gaza?
- How the Red Crescent in Gaza can increase their commitment to apply IAS no.1?

## 1.3|Objectives

### 1.3.1|Main objective

The main objective of this study is to test the commitment on preparing the financial statements in accordance with IAS no.1 the Red Crescent in Gaza, and the advantages that this commitment will result on financial statements users.

### 1.3.2|Specific objectives

Researchers will try to achieve the following objectives;

- Identify the reality of the application of the IAS no.1 the Red Crescent in Gaza.
- Knowledge of accounting practices used in the Red Crescent in Gaza in accordance with IAS no.1.
- Recognize the advantages of the Red Crescent in Gaza commitment to apply IAS no.1.
- Realize the disadvantages that the PRCS can suffer because of not applying the IAS no.1.
- Explain the main limitations that face the Red Crescent in Gaza in implementing IAS no.1.
- Knowledge of the methods can be used to increase the Red Crescent in Gaza commitment in applying IAS no.1.

## 1.4 | Significance of the project

NGOs in Gaza strip depend mainly on donations as their main source of finance. Moreover, foreign donors stipulate that the financial statements should be prepared according to IAS no.1. , therefore, not applying IAS will make the NGO disqualified for donations, In addition, the accounting system in Palestine has just been born after 1994, so the need for international accounting standards is obviously high to increase the reliability of the financial statements. This research will encourage NGOs such as the Red Crescent in Gaza strip to adopt IAS no.1 enthusiastically.

## 1.5 | Scope and limitations of the research

The researchers may face different limitations during the research process, there are three main limitations explained as follows.

- A. The study focuses on NGOs in Gaza Strip, so that researchers may face limitations in accessibility for data to be collected and analyzed specially that some NGOs consider their information as confidential.
- B. Time restriction is very obvious. This study is taken through the summer semester during two months only which means that researchers have to work as hard as possible to meet the submission date.
- C. Interviews will be conducted as a data collection tool; therefore information obtained from personnel might be biased.

## 1.6 | Methodology

The research was employing descriptive analytical methods to analyze the applicability of IAS.1 at NGOs and at PRCS in particular.

Data collection sources include both primary and secondary sources like books, refereed articles, periodic and previous studies. Interviews were prepared particularly to achieve research objectives.

## 1.7 | Hypothesis

1. NGOs in Gaza strip adopt IAS no.1 when preparing their financial statements at a Significance Level of  $\alpha = 0.05$
2. There are advantages of adopting IAS no.1 in NGOs. At Significance Level of  $\alpha = 0.05$
3. There are disadvantages of not adopting the IAS no.1 in NGOs. At Significance Level of  $\alpha = 0.05$
4. There are limitations for applying IAS no.1 in NGOs in Gaza strip. At Significance Level of  $\alpha = 0.05$
5. There are methods can increase the commitment of NGOs on IASno.1. At Significance Level of  $\alpha = 0.05$

## 1.8|Related works

### 1.8.1|ARABIC STUDIES

#### 1. Majed Saba (2008) *"The applicability of international standards for the preparation of financial statements for the application in Palestine"*

This Study aims at determining to extent knowledge and dealing the Palestinians accountants with international financial reporting standards, and what are the advantages and what are the disadvantages resulting from the implementation of these standards, and try to find solutions to them.

Analytical approach was used to achieve the objectives of the study, and a questionnaire was made for data collection, the questionnaire was distributed to 225 accountants, in public corporation companies or private, and questionnaires were analyzed by statistical tests.

The result was that international financial reporting standards not fully applied in Gaza Strip companies, due to many restrictions, the most important one is not adopting financial statement in decision making in Palestinian companies , and the lack of awareness of importance applied these standards , in addition the absence of laws and regulations that obliges companies to implement international accounting standards.

The study recommended necessity to organize training courses specific to international accounting standards and working to enact laws and legislation to oblige the companies in Gaza Strip to implement international financial reporting standards, and activating the role of accounting bodies such as the Palestinian Accountants and Auditors Association to obliges companies to implement these standards to give confidence and credibility for these statement.



**2. Mohammed Tewfik and Dr. Hassan Swelem (2005) ”Strategies to reconcile Arab and national standards to conform to the globalization of international accounting standards (the experience of countries of Saudi Arabia, Egypt, Malaysia and the Cooperation Council for the Arab Gulf States)”**

This research aims to:

- 1) Shed light on the accounting requirements of the European Union on the adoption of international accounting standards with an indication of the position of the most important countries in the world of the extent to which the application of these standards.
- 2) Shed light on the experiences of Saudi Arabia, Egypt, and Malaysia and the GCC on the extent of reliance on international standards and national conditions and Islamic strategy of building standards of accounting and assess the needs to adjust its standards with international standards.
- 3) A test study compared the availability of sources of international accounting standards and the Gulf on the international information network Internet 4) propose strategies harmonize national standards and Arabic to correspond with the trend World globalization of international standards and came in a statement may be a shortcomings in Saudi Arabia, Egyptian experiences, Malaysian, and Gulf .

Questionnaire was used to collect research data and SPSS for data analysis. The study has been proposed 3 Strategies short-and long-term to align with international standards.

### **3. Adel Nasser Nour and Dr. Talal aljjejawi (2003) "*International Accounting Standards and the Environment of Jordan "Compliance requirements and the application"***

The research aims to the following:

- 1) highlight the extent to whether or not the Jordanian environment commits to international accounting standards.
- 2) The role of universities and other scientific institutions to achieve this compatibility.
- 3) The application of international accounting standards in Jordan.

The study concluded that the consensus of the environment of Jordan to the International Accounting Standards have benefits as there are obstacles and difficulties that may have negative or positive, but negative results a greater chance of verification in accordance with the views of the study sample, the study recommended the need to examine factors and elements to gain access to the full implementation and proper international accounting standards if those criteria lead to positive results.

## **1.8.2|Foriegn studies:**

### **1. Amat et.al. (2007)**

This study presented at the international standards relating to the preparation of financial statements and their impact on the lists of companies in Spain, this study analyzes the preliminary results from the application of the preparation of financial statements in accordance with international standards in Spanish companies and is the initial impact of these standards to the income statement in the non-profit organizations have result of the study, said that the adoption of international standards in the preparation of financial statements in Spain has diverse effects on net income is difficult to predict their impact on the lists of Spanish companies and the adoption of international accounting standards affect positively on the Spanish companies.

## 2. Tyrrall et.al. (2007)

This study discussed the appropriateness of international standards for the preparation of financial statements for the application in Kazakhstan and to what extent will these standards help in the continuous development and progress of the economy, and that the application of these standards will lead to the effectiveness and credibility in the financial statements, and the study indicates to display the advantages and disadvantages of relying on standards International relating to the preparation of financial statements in the continued development, and what are the problems that will show progress in the application of these criteria, the study relied on primary sources such as resolution and on secondary sources through publications and books and Web sites, and from the results of the study that there are factors that help in application of international standards in Kazakhstan, which provide the right environment and the introduction of foreign companies in the sector as they apply to international standards.

## 3. Iskandar Mahmoud Nashwan(2005) "*Development of Financial statement Spreading, Preparing the International Accounting Standards Framework in the light of Environmental changes {applied study in Palestinian economic entities}*"

The study aimed to:

- Identify defects in applied accounting policies in Palestinian economic entities.
- To highlight the extent of observing the application of international accounting standards in Palestinian economic entities.
- To explore the impact of the location of the economic entity, academic qualification of the accountants, years of experience, the country they graduated from, and the extent to which they adhere to in applying the international accounting standards in preparing financial statements.
- To identify how to prepare and spread statements in the framework of international accounting, standards in economic entities in Palestine environment.

The researcher carried out an applied study in three axes represented in analyzing spread statements by Palestinian economic entities, preparing a questionnaire distributed by the researcher between those who prepare statements and interviewing responsible people as being the most important users of statements.

#### **4. Halbouni (2005)**

The aim of this study was to investigate the perception of both preparers and users and submit Financial statements about the suitability of the International Accounting Standards in Jordan, The results of this study, After the application of statistical methods appropriate to that respondents have a strong impression of neutrality and the ability of International Accounting Standards Board to issue appropriate accounting standards can be applied in each of the Developing and developed countries alike, as the study results indicate that each of the years of experience And diversity of the respondents have had the greatest impact on the impression they have formed, in addition to Therefore, the results of this study also suggest that the desire to increase the flow of foreign investments The growing role of audit firms associated with international auditing offices are among the most influential factors in the Adoption of international accounting standards in Jordan, and therefore regarding the procedures that have been taken For the adoption of international accounting standards in Jordan, the results of this study indicate that there is an urgent need to The need for financial statements to be highly credible, to lead to the adoption of international accounting standards to Hastily and without any attempt to take advantage of past experiences of developing countries.

#### **5. Gale Group ( 2001)**

The study discussed the problem of differences in accounting standards used in different countries, Where are evaluated the financial performance of companies in many countries in the continent of Europe on the basis of profit Resulting from operations, should not the application of price changes in accordance with the fair value of that may be Data of these companies are less useful in predicting future cash flows, and the study aims to increase The clarity of the information provided to the beneficiaries to evaluate the performance of commercial projects, the study finds that Should be re-display order of items in the financial statements and delete all unnecessary data. The study Recommended the use of multiple criteria to assess the financial performance of companies, and must provide financial statements Information to creditors, not just for investors, where the benefit of creditors of the financial statements Follow-up liquidity.

## **CHAPTER 2**

### **INTERNATIONAL ACCOUNTING STANDARDS (IASs)**

- 2.1 Introduction.
- 2.2 Definition of accounting standard.
- 2.3 The main ingredients should be available in accounting standards.
- 2.4 Steps of Developing IASs.
- 2.5 International Standards Committee and its role in the accounting application compatibility.
- 2.6 Objectives of issuing and adopting IASs.
- 2.7 Important issues should be considered while applying IASs.
- 2.8 Effects of IASs absence on decision making.
- 2.9 IASs application in Palestine.

## 2.1 | INTRODUCTION

One of the most important means of development of the profession and push it to cope with developments in core business is the issuance of financial accounting standards based upon identification of ways to measure the impact of processes and events And the circumstances on the financial position and results of those facilities and delivery to the beneficiaries, and this is common by Many countries, where many countries rushed to issue accounting standards based upon measurement The impact of processes and events and circumstances on the financial position and results of business and delivery For beneficiaries (Aljaber, 2000).

As a result of economic developments, international accounting standards became indispensable reference guide for professionals all over the world in general and in third world countries in particular, where it is found in most of those countries accounting standards to local governing professional practices, and perhaps this was a motivation for the points of supervision the accounting profession in most Arab states to require companies and banks and financial institutions, the adoption and application of those standards the basis for the preparation of financial statements published of them, and after taking into account the conditioning applied in line with the requirements of the economic environment and domestic financial in all of them (Jarbou and Hillis, 2001)

## 2.2 | Definition of accounting standards

"The accounting standards includes laws and regulations governing the preparation of Financial statements, and standard-setting process is a regulatory framework or a process by which standards formed, so The accounting standards are the result of standard-setting process, and perhaps to understand how to set accounting standards and the process of developing these standards was able to figure out why take Accounting method in a country without The other "(Frederick, and Carroll, Gary, 2004).

There are various definitions of the accounting standard, including:

There are those known as the accounting standard set of rules and methods to identify and measure the performance of accounting the highest level possible in order to prepare and display the accounting data correctly fairly and reliably (Fahmy, 2000).

In another definition of the standard accounting "is a written statement issued by the official regulatory body "Accounting or professional" concerns of this statement the elements of financial statements or the type of transactions or events relating financial position and business results and determine a method of measurement, display or disposal or Plug manner (Nour & Aljajaoy, 2003)

**We can conclude from the above definitions that the accounting standard is a: (Gaiadh, 2008).**

- Base model or accounting has been agreed upon by the views of competent jurisdiction.
- Aims to address the accounting standard for a unified set of processes and events experienced by the facility.
- Aims to deliver the identical information to all the beneficiaries of the financial statements of an entity.

## 2.3 | The main ingredients that should be available in accounting standards

There are several key elements must be met by the international accounting standards are as follows (ALWabel, 1990).

### 1. Appropriateness:

The sense of compatibility with the objectives of accounting standards, which aspires to achieve accountability so that the formulation of standards comes in the light of the objectives of accounting, and seeks to provide information to meet the needs of beneficiaries.

### 2. Admission:

The sense of acceptance of standards by the users and beneficiaries with and affected by the relevant parties of them, which will bring it the general acceptance of property or acquaintance to use, There is no doubt that this feature is associated with many factors such as the ease of understanding of standards and their flexibility and consistency between each other.

### 3. Homogeneity:

Where it should be achieved consistency between different standards that are issued on different dates and different elements so as not to include any areas of conflict, but no doubt that this feature requires to be set up standards in the light of the conceptual framework and a clear and integrated through a plan is limited and clear for the construction and the issuance of standards involving determine appropriate to the importance and priorities of these criteria.

### 4. Harmonization:

The sense that the standards are a reflection of the environmental conditions, so conditions associated with these standards and environmental considerations prevailing in the society which they are applied.



## 2.4 | steps of developing IASs

The process of issuing standards is not an easy process, which required a delicate balance so as not to be the standard uncertain and allows alternative methods thereby eliminating the need of a standard, or be the international standard in detail and strictly so as not to allow flexibility in the treatment where the International Accounting Standards Committee since 1988 to reduce alternative methods available in the previous standards has revised the standards and can be exported prior to imagine that the process of issuing international standards has gone through phases and these phases can be summarized as follows (the advanced financial reports 2001).

**1. Standards of the phase I:** standards were primitive, the focus was mainly on matters relating to the presentation, disclosure and the controversial issues related to measurement and this phase of the task in terms of acceptance of the work of the international standards committee and accept the opposition to it.

**2. Phase II:** The criteria issued in this period was characterized by allowing the growing of alternative treatments in order for these standards to address the problems as they were the subject of controversy and debate in developed countries, and thus allowed these standards in ways and alternative treatments within the standard.

**3. The phase III:** which began in 1989 where the Commission has the possibility of making the comparison of the financial statements, due to increased funding, and led to a reduction in alternative treatments, compared with applications in the United States and the United Kingdom.

**4. The phase VI:** A phase of the core standards, which is still ongoing in this period the Standards Committee has received the support of the international organization of financial markets, the Committee was in dire need of this support.

## 2.5 | International Standards Committee and its role in the accounting application compatibility

The International Accounting Standards Committee (IASC) is an independent private-sector organization that in its own words is a "body working to achieve uniformity in the accounting principles that are used by businesses and other organizations for financial reporting around the world." As stated in its constitution the IASC's goals are to "formulate and publish in the public interest accounting standards to be observed in the presentation of financial statements and to promote their worldwide acceptance," and to "work for the improvement and harmonization of regulations, accounting standards and procedures relating to the presentation of financial statements." The IASC was founded in London in 1973 and by 1998 its membership included 143 accounting organizations representing 2 million accountants in 103 countries (ISAC benefites, 2012).

Standardized accounting procedures are important in order to make financial reports comparable, especially from country to country. It is even possible, however, for accounting procedures to vary within a country. It often falls upon investment services or companies doing business in more than one country to harmonize different accounting procedures. This can prove to be an expensive and time-consuming task. Standardized accounting procedures are especially important for multinational companies which need a consistent accounting procedure for evaluating operations from different countries. External reports coming into a multinational's headquarters must also be harmonious with internal assessments of performance. International accounting standards can also be important to developing countries, since establishing national accounting standards can be an expensive and arduous process.

## 2.6 | Objectives of issuing and adopting IASs

It is natural that there will be an objective of the motives of parties seeking an international consensus, and one of the most important goals and motives for the development of International Accounting Standards, the following: (Aldinori, 2009).

- Preparation and publication of accounting standards that are guided by the IASB in the preparation and processing of lists and financial data in the public interest with the work on the international acceptance of these standards and universally applicable.
- Work on the improvement and coordination between the systems, rules and accounting procedures related to preparation and presentation of financial statements.
- These standards saves so many things for international private companies, including time and money you make now in the standardization of financial statements that support each of them in the preparation of a set of practices and accounting principles and which are often different from state to state.
- Many countries, especially developing ones where there are professional accounting organizations and bodies competent to issue accounting standards work, and therefore the adoption of international accounting standards will save them time and money.
- Facilitate international operations and pricing, as well as decision making on the allocation of resources, and make securities markets more efficient, especially after the increase and the growth of international economic activities, as well as increase the adoption of the States to each other with respect to international trade and investment flows.

## 2.7 | Important issues should be considered while applying IASs

There is a range of issues that should be taken into account when applying international accounting standards, in order to provide the highest degree of commitment to the application for the professional practice and are as follows: (Ashour, 2001).

- A balance between the conceptual framework and practical application of the standards. Aimed to describe the problem and discuss methods prevailing in practice and the solution provided by the standard, and then the application of international accounting standards.
- In the balance of information available to the owners of conflicting interests.

This case is one of the most serious issues facing the international accounting standards, because users of financial information resulting from the application of international accounting standards cannot be classified one degree, and may be a conflict between the purposes and objectives of the users of financial statements.

- Complexities of international accounting standards.

Focus of the recent trend in disclosure of the entrance of events more than the value of the entry, and this made the economic union committed to the full disclosure for all these events except that the application of this trend would contribute to the increased complexity of the work of accounting, and then bear the economic union more costs.

- Competitive international accounting standards.

The focus is on the establishment of close cooperation and effective inter- Bodies and councils responsible for setting accounting standards at the level of each country, to achieve consistency with international accounting standards and achieve better levels of completeness and quality in accounting practices.

## 2.8 | Effects of IASs absence on decision making

There are several effects of IASs absence on decision making include: (Aljaber, 2000).

### 1. The difficulty of decision-making process:

Where it is due to differences in the foundations that address the processes by which events and financial circumstances of the establishment of different, and lead to difficulty compared to the financial positions of these facilities and the results of its work, and leads to difficult trade-offs between alternatives and thus lead to difficulty in decision-making.

Because of the lack of standards governing the work of accounting, the financial statements may be considered a complex manner resulting in difficulty to benefit the users of these lists of them, as it requires understanding refer to the sources of prepared or scientific capability distinct and both are not available in most cases, both of them cannot refer to the sources by their nature in terms of confidentiality or complexity, size, location or experience and knowledge, but is no doubt that these examples illustrate the difficulty of decision-making by a large sector of the beneficiaries and increase the likelihood of error .

### 2. Error in the decision-making process:

In the absence of accounting standards that meet the similarities in the treatments, lead to the use of methods or accounting rules is sound accounting treatments, which lead in turn to produce financial statements do not reflect honestly what It meant to achieve, and can lead to making wrong decisions, including the information that contains the financial statements represent, basic approaches to decision-making by multiple different user. No doubt that these decisions are significantly affected by this information, this is making false statements upon false foundation.

## 2.9 | IASs application in Palestine

It can be said that the Palestinian territories has a special nature than the Arab world, as it prevailed in Palestine until the Palestinian National Authority in 1994 and the liberalization of part of the Palestinian territories and the beginning of the Aqsa Intifada in the twenty-eighth of September, 2000. (Nashwan, 2004).

Although the international accounting standards developed by the International Accounting Standards Committee formed a quantum leap in the organization of work of accounting and consolidation of its output in the world, it remains necessary to focus on the existence of accounting standards for each State to take into account the specific conditions and the privacy of professional practice and development and close to the International Standards in order to provide ways to compare the results of acts of domestic enterprises on foreign affairs and the promotion of accountability and follow-up of internal and external, and the protection of financiers and investors, and in view of the Palestinian reality, we find that to date has not placed any accounting standards and national adhered to by practitioners of the accounting profession and companies in the work of accounting and prepare the financial statements, where it is noted that the part of companies and accountants guided and individually and voluntary standards of international accounting and to varying degrees, as some companies, especially listed market securities Palestinian publish its financial statements in the newspapers daily application of the principle of transparency and disclosure, so it is necessary to form an ad hoc committee for accounting standards that shall prepare and develop accounting standards Palestinian abide by the facilities of different forms, regular or activities carried out by, and should take into account the Committee to prepare standards according to Laszlo scientific take into account international experience and the experience of neighboring countries and consulting with an interest , competence and professional organizations to ensure the formulation and adoption of consistent accounting standards and conditions of the current economic activity .(Clapp, 2007).

## **CHAPTER 3**

### **INTERNATIONAL ACCOUNTING STANDARD NO.1**

#### **(IAS 1)**

3.1 Introduction.

3.2 Objective of IAS no.1.

3.3 Scope of IAS no.1.

3.4 The objectives of financial statements.

3.5 The objectives of financial statements in NGOs.

3.6 Responsibility for preparing the financial statements.

3.7 Fair presentation of financial statements & compliance with IFRS.

3.8 Going concern assumption.

3.9 Accrual basis of accounting.

3.10 Components of Financial Statements

3.11 The Statement of financial position, classification of assets and liabilities.

3.12 The comprehensive income statement, the presentation of information in the statement.

3.12.1 The objectives of comprehensive income statement.

3.13 The cash flow statement, the need for cash flow.

3.13.1 Methods of preparing the cash flow statement.

3.14 Statement of changes in shareholders' Equity.

(Presentation of financial statements)

## 3.1 | Introduction

**F**inancial statements are prepared and offered to overseas investors by many enterprises around the world, and with the financial statements may appear similar from country to country but there are differences between them caused perhaps social, economic, and different legal conditions and because of what they perceive as different countries of the needs of different users of the data when you put the financial national requirements (Saba, 2008).

International Accounting Standards Board works to develop a single set of high-quality global accounting standards that require transparent information and comparability of financial statements that are prepared for public purposes. To this goal Accounting Standards Board is working with the authors of the local accounting standards in order to move to unify accounting standards around the world.

The International Accounting Standard No. 1 is the first standard issued by the Accounting Standards Board which is committed to its many facilities around the world. And the Committee assists the interpretations of international standards for the preparation of financial statements. International Accounting Standards Board is achieving international uniformity between accounting standards by working with groups similar sponsored by the national bodies to develop standards to reach similar results on the issues where the standards implicit fairly similar.



## 3.2 | Objective of IAS no.1

The objective of IAS 1 (2007) is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. IAS 1 sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. Standards for recognizing, measuring, and disclosing specific transactions are addressed in other Standards and Interpretations.

The guidelines for this standard include (Tarek Abdelal 2006):

- General requirements for the presentation of financial statements.
- Guidelines for the hierarchy and components of financial statements.
- Simple requirements for that should be in financial statements.
- The application of IFRS is considered to be the base for Fair representation.

## 3.3 | Scope of IAS.1

- This standard must be applied when displaying lists general-purpose financial statements are prepared and submitted in accordance with international accounting standards.
- Means the financial statements of the general purpose of those lists that meet the needs of users who are not in a position to demand reports tailored to meet the needs of certain information, and enter the lists, including those that offer separate or attached to a public document such as an annual report or prospectus.
- This standard applies to all types of facilities including banks and insurance companies, taking into account the additional requirements for banks and similar financial facilities, which are commensurate with the requirements of these standards.

- ✎ Uses this standard terminology fit any facility designed to make a profit, however, can facilities the public sector application of the requirements of this standard, and you need facilities that are not-for-profit and government units and facilities, public business sector other, which seeks to apply this standard to be modified to some descriptions used for certain items in the financial statements, as well as the descriptions used for the same financial statements, as these facilities can also view other additional items of the financial statements.

## 3.4 | The objectives of financial statements

The objectives of financial reporting are the general objectives and with a wide range, it does not include the disclosure in the financial statements, which represent the main way to deliver information to end users, but also includes information provided by the information system of accounting and related resources and obligations of the project, and there must be financial reports service for external users of the accounting data and who do not have the authority to get the information they want, the hardware governmental organizations, and the Capital Market Authority can get any information desired by virtue of their existing powers under the law, while investors and lenders cannot obtain information only through the financial statements provided by the project management and exposure so they represent the primary users of the lists. (Lutfi, 2006).

Overall objectives of the financial reports as follows (Kieso et al, 2011)

1. Provide financial information about the reporting entity that is useful to present potential equity investors, lenders, and other creditors for decision making regarding their capacity as capital providers.
2. To provide useful information to investors and creditors for predicting, comparing and evaluating cash flows in terms of amount, timing and the rate of uncertainty.

3. To provide users with information to predict, compare, and evaluate estimated gain for the project (the ability to achieve income or profits).
4. To provide the information necessary to evaluate the entity's ability to efficiently and effectively use economic resources available to management performance towards the optimum utilization of the facility without waste or extravagance of any investigation to protect the economic condition, not just a traditional responsibility to legally protect the assets of the facility.
5. To provide factual information for interpretive transactions and other events useful in the prediction, comparison and evaluation of the estimated gain of the project, and must disclose the basic assumptions adopted in the interpretation or assessment topics.
6. Provide information useful in the process of forecasting and supply forecasts should increase when the financial viability of these predictions rely and trust the degree of confidence predictions of the users.

## **3.5 | The objectives of financial statements in**

### **NGOs**

The importance of financial statements in not-for-profit organizations (Jarbou, 2001):

1. Provide information for decision makers that helps in resource allocation among different units.
2. Provide information for decision makers to evaluate unit's performance and their continuity.
3. Provide information for decision makers to measure management performance and its commitment to the organizational goals.
4. Provide information about available resources and liabilities about net income and changes of these components during the accounting period.
5. Provide information about the immediate evaluation about the accounting.

6. Provide information about the sources and uses of financing.
7. Provide notes that will help users in making their decisions.

## **3.6 | Responsibility for preparing the financial statements**

The responsibility for preparation of financial statements is first and foremost the responsibility of the management of the entity and it has exercised the accuracy and completeness in their preparation and they represent the reality of the company's financial, or the result of the business, or cash flow, and that the occurrence of the dangers of significant or unusual, the company's management is borne by the responsible complete (Jarbou, 2006).

## **3.7 | Fair presentation of financial statements & compliance with IFRS**

The financial statements must "present fairly" the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

IAS 1 requires that an entity whose financial statements comply with IFRSs make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IFRSs unless they comply with all the requirements of IFRSs (including Interpretations).

Inappropriate accounting policies are not rectified either by disclosure of the accounting policies used or by notes or explanatory material.

IAS 1 acknowledges that, in extremely rare circumstances, management may conclude that compliance with an IFRS requirement would be so misleading that it would conflict with the

objective of financial statements set out in the Framework. In such a case, the entity is required to depart from the IFRS requirement, with detailed disclosure of the nature, reasons, and impact of the departure.

## 3.8 | Going concern assumption

The accounting on the assumption that the entity is continuing to work as a normal activity and there is a tendency to filter at the present time and therefore to the contrary as long as there is no evidence for the liquidation of the financial statements is prepared on the assumption that the enterprise will continue in the performance of its activity.

This is consistent hypothesis with legal considerations under which the economic unit, as the construction of the theory of accounting requires the existence of this hypothesis will either be a case of continuation or liquidation cannot be assumed both cases and only came accounting principles in conflict it is natural to base it on the assumption of continuity rather than liquidation, and the activity is continuous and has no relation to age naturally for the project, this assumption plays an important role in the preparation of financial statements of origin, with which the facility is continuing to their work and prepares its budget at the end of each financial period, unless the show or the presumption not to doubt the validity of this hypothesis or the suitability, in the case of a doubt in the ability of the entity to continue the work of the budget must filter (Matar, 2006).

There are several reasons are considered to indicate the inability of the project to carry out its work routine (Jarbou, 2002).

- 1 - Difficulties in liquidity.
- 2 - The direction of profits and losses.
- 3 - Methods of financing the expansion.
- 4 - The nature of the project.
- 5 - The efficient management of the project.
- 6 - The reluctance of banks to provide facilities of the project.

## 3.9 | Accrual basis of accounting

IAS 1 requires that an entity prepare its financial statements, except for cash flow information, using the accrual basis of accounting.

According to accrual basis, financial operations and events are recognized when they occur. They are recorded in accounting records and reported on financial statements at the related periods.

## 3.10 | Components of Financial Statements

A complete set of financial statements should include:

- A statement of financial position (balance sheet) at the end of the period.
- A statement of comprehensive income for the period (or an income statement and a statement of comprehensive income).
- A statement of changes in equity for the period.
- A statement of cash flows for the period.
- Notes, comprising a summary of accounting policies and other explanatory notes.

When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements, it must also present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period.

## **3.11 | The Statement of financial position, classification of assets and liabilities**

### **The Statement of financial position**

Is a financial situation at a given moment, or is a photograph of the financial situation at that time called the elements of the existing balances as opposed to flows of inputs and outputs of the period has been defined by the Commission on accounting terms of the American Institute following definition: is the summarized classified of balances remaining in the general ledger after preparation of final accounts (Hammad, 2005).

An entity must normally present a classified statement of financial position, separating current and noncurrent assets and liabilities. Only if a presentation based on liquidity provides information that is reliable and more relevant may the current/noncurrent split be omitted. In either case, if an asset (liability) category combines amounts that will be received (settled) after 12 months with assets (liabilities) that will be received (settled) within 12 months, note disclosure is required that separates the longer-term amounts from the 12-month amounts. (IAS, 2012).

## Minimum items on the face of the statement of financial position

- (a) property, plant and equipment
- (b) investment property
- (c) intangible assets
- (d) financial assets (excluding amounts shown under (e), (h), and (i))
- (e) investments accounted for using the equity method
- (f) biological assets
- (g) Inventories
- (h) trade and other receivables
- (i) cash and cash equivalents
- (j) assets held for sale
- (k) trade and other payables
- (l) Provisions
- (m) financial liabilities (excluding amounts shown under (k) and (l))
- (n) liabilities and assets for current tax, as defined in [IAS 12](#)
- (o) deferred tax liabilities and deferred tax assets, as defined in [IAS 12](#)
- (p) liabilities included in disposal groups
- (q) non-controlling interests, presented within equity and
- (r) issued capital and reserves attributable to owners of the parent

Additional line items may be needed to fairly present the entity's financial position.

IAS 1 does not prescribe the format of the balance sheet. Assets can be presented current then noncurrent, or vice versa, and liabilities and equity can be presented current then noncurrent then equity, or vice versa. A net asset presentation (assets minus liabilities) is allowed.

**Assets** are economic benefits expected to obtain in the future and that the unit has acquired a right of access to or control these benefits as a result of events or transactions have been in the past.

### Categories of assets:

It is the separation of assets, liabilities and property rights in the statement so it can show important relationships and to focus the attention on the subtotals as follows (Hammad, 2005).



### **Current assets:**

In accordance with International Accounting Standard No (1), it should be classified originally as a current in the following circumstances:

1. When it is expected to sell or keep for sale or consumption during the normal operating cycle of the facility.
2. Where is kept for the purpose of trading or short-term and is expected to be sold within 12 months from the date of the balance sheet.
3. When out of cash or cash equivalent and use is not restricted.

### **Non-current assets:**

Using International Accounting Standard No (1) amended in 1997, the term is under way to include physical assets, moral, and operational and financial long-term, this standard does not prohibit the use of any descriptions of alternative as long as the meaning is clear and include non-current assets Long-term investments, real estate, machinery, equipment, and other intangible assets.

### **Liabilities current and non-current**

Liabilities are obligations on economic project has been recognized and measured in accordance with generally accepted accounting principles, and also include elements such as Deferred credits, but recognized and measured in accordance with generally accepted accounting principles.

### **Current liabilities**

The obligations that a company generally expects to settle in its normal operating cycle or one year, whichever is longer. This concept includes: (Kieso et al, 2011).

1. Payable resulting from the acquisition of goods and services.
2. Collections received in advance for the delivery of goods or performance of services.
3. Other liabilities whose liquidation will take place within the operating cycle or one year.

As for all other obligations, it must be classified as non-current liabilities.

### **Non-current liability:**

Liabilities that are not expected to filter through the current operating cycle, including:

1. Obligations arising from the acquisition of assets such as issuing bonds and securities, long-term rental commitments.
2. Obligations arising from normal operations such as pension obligations.
3. Contingent liabilities involving the uncertainty of potential losses offline usually referred as provisions.

### **The concept of equity or net assets:**

Is the share of the remaining assets after excluding liabilities, businesses and in the rights of property owners is the share in the facility pose, and the property rights of property relations is the basis of dividends to shareholders, and distributions of assets to be optional for owners of the facility (Hammad, 2004).

## **3.12 | The comprehensive income statement, the presentation of information in the statement**

Comprehensive income for a period includes profit or loss for that period plus other comprehensive income recognized in that period. As a result of the 2003 revision to IAS 1, the Standard is now using 'profit or loss' rather than 'net profit or loss' as the descriptive term for the bottom line of the income statement.

An entity has a choice of presenting:

- a single statement of comprehensive income or
- two statements:
  - an income statement displaying components of profit or loss and

- A statement of comprehensive income that begins with profit or loss (bottom line of the income statement) and displays components of other comprehensive income.

Minimum items on the face of the statement of comprehensive income should include:

- Revenue.
- Finance costs.
- Share of the profit or loss of associates and joint ventures accounted for using the equity method.
- Tax expense.
- Profit or loss.
- Each component of other comprehensive income classified by nature.
- Share of the other comprehensive income of associates and joint ventures accounted for using the equity method.
- Total comprehensive income.

The components of other comprehensive income include:

- Changes in revaluation surplus.
- Actuarial gains and losses on defined benefit plans recognized in accordance with IAS 19.
- Gains and losses arising from translating the financial statements of a foreign operation (IAS 21).
- Gains and losses on measuring available-for-sale financial assets (IAS 39).
- The effective portion of gains and losses on hedging instruments in a cash flow hedge (IAS 39).

No items may be presented in the statement of comprehensive income (or in the income statement, if separately presented) or in the notes as 'extraordinary items'.

Expenses recognized in profit or loss should be analyzed either by nature (raw materials, staffing costs, depreciation, etc.) or by function (cost of sales, selling, administrative, etc.). If

an entity categories by function, then additional information on the nature of expenses – at a minimum depreciation, amortization and employee benefits expense – must be disclosed.

### 3.12.1 | The objectives of income statement

The objectives of the income statement (Kieso et al, 2011)

1. Evaluate the past performance of the company.
2. Provide a basis for predicting future performance.
3. Assess the merits of the project in borrowing from banks, investors, and the ability to pay Loans.
4. Help assess the risk or uncertainty of achieving future cash flows.

### 3.13 | The statement of cash flows.

#### Presentation of the Statement of Cash Flows

Cash flows must be analysed between operating, investing and financing activities.

Key principles specified by IAS 7 for the preparation of a statement of cash flows are as follows:

- **Operating activities** are the main revenue-producing activities of the entity that are not investing or financing activities, so operating cash flows include cash received from customers and cash paid to suppliers and employees.
- **Investing activities** are the acquisition and disposal of long-term assets and other investments that are not considered to be cash equivalents.
- **Financing activities** involve liability and equity items. They include: (a) obtaining resources from owners and providing them with a return on their investment, and (b) borrowing money from creditors and repaying the amounts borrowed.

the income statement prepared on an accrual basis, and the statement of financial position on the basis of the entrance of the working capital, so experienced users of financial statements faced difficulties and problems because of these foundations which resulted in the ambiguity of the cash flows and the widening gap between them, due to the conviction of users of financial statements that the net cash flows generated from ongoing operations is the ultimate guide on the quality of earnings, and recognizing the importance of cash and availability of liquidity and flexibility in decision-making, and that cash and not the net profit is used to pay the debt, and replacement of fixed assets, pay dividends and expenses and other, this led to the claim should be required to prepare a list of corporate cash flows to be a master list next to the income statement and balance sheet.

### 3.13.1 | Methods of preparing statement of cash flows

the **direct method** shows each major class of gross cash receipts and gross cash payments. The operating cash flows section of the statement of cash flows under the direct method would appear something like this:

Cash receipts from customers	xx,xxx
Cash paid to suppliers	xx,xxx
Cash paid to employees	xx,xxx
Cash paid for other operating expenses	xx,xxx
Interest paid	xx,xxx
Income taxes paid	xx,xxx
<b>Net cash from operating activities</b>	<b>xx,xxx</b>

- The **indirect method** adjusts accrual basis net profit or loss for the effects of non-cash transactions. The operating cash flows section of the statement of cash flows under the indirect method would appear something like this:

Profit before interest and income taxes	xx,xxx
Add back depreciation	xx,xxx
Add back amortization of goodwill	xx,xxx
Increase in receivables	xx,xxx
Decrease in inventories	xx,xxx
Increase in trade payables	xx,xxx
Interest expense	xx,xxx
Less Interest accrued but not yet paid	xx,xxx
Interest paid	xx,xxx
Income taxes paid	xx,xxx
<b>Net cash from operating activities</b>	<b>xx,xxx</b>

## 3.14 | Statement of changes in shareholders'

### Equity

IAS 1 requires an entity to present a statement of changes in equity as a separate component of the financial statements. The statement must show:

- total comprehensive income for the period, showing separately amounts attributable to owners of the parent and to non-controlling interests
- the effects of retrospective application, when applicable, for each component
- reconciliations between the carrying amounts at the beginning and the end of the period for each component of equity, separately disclosing:
  - profit or loss
  - each item of other comprehensive income
  - transactions with owners, showing separately contributions by and distributions to owners and changes in ownership interests in
  - Subsidiaries that do not result in a loss of control.

## 3.15 | Notes to the financial statements

Notes are an integral part of reporting financial statement information. Notes can explain in qualitative terms information related to specific financial statement items. In addition, they can provide supplemental data of a quantitative nature to expand the information in the financial statements. Notes also can explain restrictions imposed by financial arrangements or basic contractual agreements. Although notes may be technical and difficult to understand in some cases, they provide meaningful information for the users of financial statements. (Kieso et al, 2011).

## **CHAPTER 4**

# **ACCOUNTING SYSTEM AT PALESTINIAN RED CRESCENT SOCIETY**

- 4.1 Introduction.
- 4.2 society vision and mission
  - 4.2.1 Definition of the society.
  - 4.2.2 Establishment of the society.
  - 4.2.3 Society vision statement.
  - 4.2.4 Mission statement.
  - 4.2.5 Society objectives.
  - 4.2.6 Services provided by the society.
- 4.3 Accounting department of the society.
  - 4.3.1 The department structure.
  - 4.3.2 The main department functions.
  - 4.3.3 Department financial resources.
- 4.4 Accounting system of the society.
  - 4.4.1 Introduction.
  - 4.4.2 Rules, regulations and policies
  - 4.4.3 Accounting records used in the society



## 4.1 | INTRODUCTION

In this chapter the researchers talk about the organization they do their research, which is the Palestinian Red Crescent Society, then they analyze and explain their accounting system.

## 4.2 | Society vision and mission

### 4.2.1 | Definition of the society

Is a NGO, non-governmental, independent, democratic, character development?

It's a non-profit. It is designed for the betterment of the Palestinian society in Gaza strip

### 4.2.2 | Establishment of the society

The importance and necessity of the existence of institutions that address the needs of life that resulted from the Israeli occupation of Palestinian territory in June 1967, initiated a series of eleven Palestinian personality and foremost, Dr. Haidar Abdel Shafi founded the Red Crescent Society of the Gaza Strip in 1969, and practiced their activities in the year 1972, and was among the first institutions community operating in Gaza Strip, and has worked since then to meet the challenges imposed by the Israeli occupation on the Palestinian national cause and to all areas of the life of the Palestinian people, and the Assembly and since that time working as a civil society national and independent nature of a democratic and developmental institution aimed at providing health services, cultural, educational and humanitarian to citizens in need of these services in the Gaza Strip.

### 4.2.3 | Society vision statement

We aspire for excellence in achieving sustainable development in the Gaza Strip.

## 4.2.4 | mission statement

We seek to provide development quality in the areas of health, cultural, educational and relief, according to the needs of the community, especially the marginalized groups and those with limited income, and contribute to strengthening the role of NGOs in order to influence positively in the process of comprehensive development of Palestinian society.

## 4.2.5 | Society objectives

- 1 - To contribute to improving the health status of citizens from the Gaza Strip.
- 2 - To contribute to raising the cultural level of citizens from the Gaza Strip.
- 3 - Contributing to the reduction of illiteracy in the Gaza Strip.
- 4 - To perform the various humanitarian and relief help him and the needy.

## 4.2.6 | Services provided by the society

The Association provides various health services, cultural, educational and humanitarian through three centers, a center head Dr. Hider Abdel-Shafi in Gaza City and Abassan medical center in the town of Abasan and Women's Health Center - in the Jabalya refugee camp of Jabalya. As follows:

- health services
- Cultural and educational services:
- Humanitarian aid.

The Association provides services for humanitarian aid to the mystery of the poor and sick and for children through the following programs:

- 1 - A program to help families in need.
- 2 - Program to help patients.
- 3 - Program of households.
- 4 - Program to ensure that the Palestinian child.
- 5 - Other temporary relief programs.

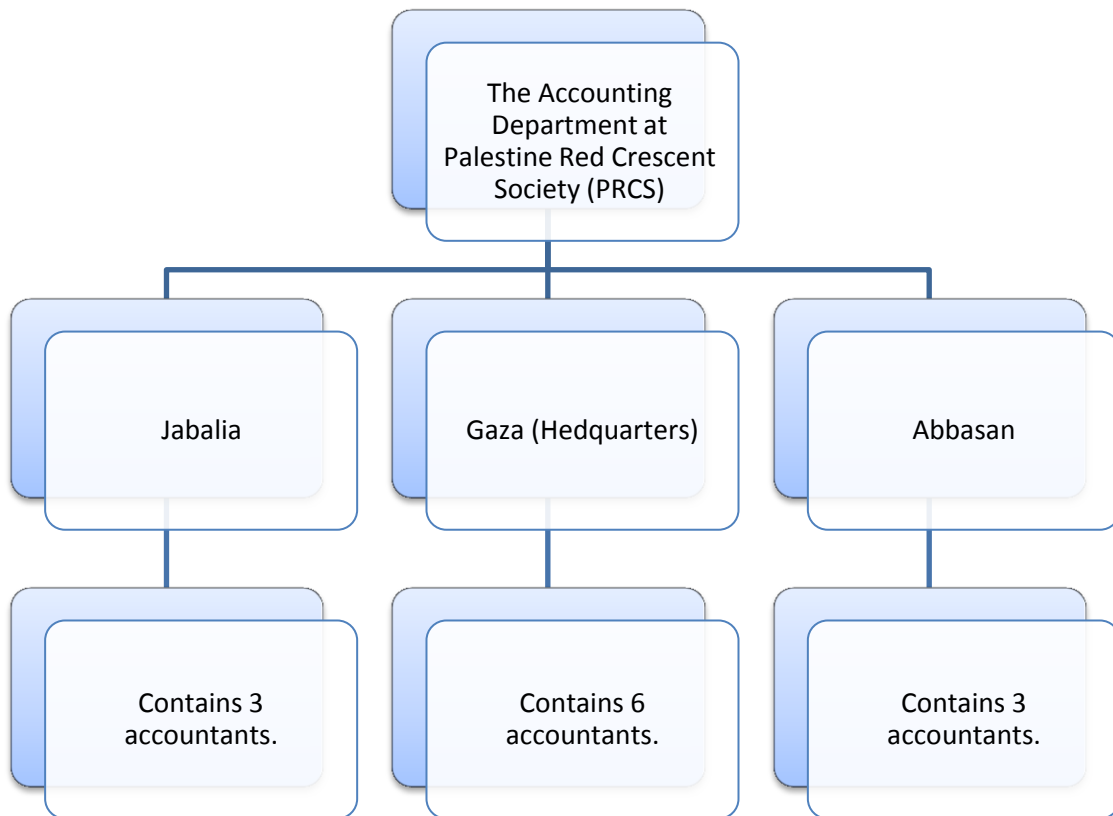
## 4.3 | Accounting department of the society

The accounting department of the Palestinian Red Crescent Society, Dr. Haider Abdel Shafi center at Gaza city, is considered the main center that responsible for the all financial operations and functions of the other accounting departments located at Jabalya and Abassan.

### 4.3.1 | Department structure

The accounting department at Dr. Haider Abdel Shafi center is headed by director who's responsible for 6 accountants. Moreover, he is answerable for the accounting activities done by other 6 accountants distributed equally at Abassan medical center and women's care center at Jabalya refugee camp. The Abassan and Jabalya sub-centers are headed by sub-directors.

The following chart describes the accounting department structure at the society.



### 4.3.2 | Main department functions

The main accounting department at Dr. Haider Abdel Shafi center is responsible for the following functions:

1. Prepare the budget for the society activities.
2. Receive the main center revenues, pay its expenses and record this at its accounting records according to the attached documents.
3. Receive the sub-centers revenues every 15 days
4. Pay the sub-centers expenses according to the attached documents.
5. Pay petty cash advances reach 2000 NIS.
6. Payrolls for all employees at main center and sub-centers.
7. Dealing with banks including depositing cash or withdrawing checks.

### 4.3.3 | Department financial resources

The department has internal and external financial resources which are very important to let the society provide its services in an appropriate way. Like other not-for-profit organizations, it relies mainly on external resources like donations. The department financial resources can be described as follows:

1. Medical revenues from the medical centers which provide its services with nominal fees, so that they can treat needy patients.
2. Fees from cultural centers and sport and entertainments clubs.
3. Membership fees paid from the society members.
4. External donations which considered the main financial resource for the department. Donations can be cash or tangible donations. Donated parties include: Mr. Ahmed Zaki Alymani, the Canadian charitable institution, RAMCO, ALHYA for medicines ... etc.

## 4.4 | Accounting system of the society

### 4.4.1 | Introduction

The Palestinian Red Crescent Society is a NGO in which the accounting system is different from the accounting system in business organizations at many faces. At this section the researchers try to explain the accounting system of the society as an example of the NGOs accounting system.

## 4.4.2 | Rules, Regulations and policies

Issued by the Palestinian Legislative Council on 16 / January / 2000 Law of Charitable Associations and Palestinian Community Organizations and became in effect since the date of 31 / March / 2000 and therefore asked the Interior Ministry of Palestinian NGOs in Palestine commit to the law of items and modify the accounting policies based on it. Among these organizations, the Palestinian Red Crescent Society in Gaza, where and are still committed to this law.

The Society is preparing its financial statements in a consolidated format for all their centers where they are collecting all the various assets and liabilities then present them in the consolidated financial position, revenues and documented expenses from all centers and are displayed in the consolidated list of revenues and expenses in addition to the consolidated statement of cash flows as well.

The society uses the modified accrual basis for the recognition of accounting events. The modified accrual basis focuses on the net current financial resources (current assets less current liabilities). Current financial resources can be defined as expendable resources that are expected to be transferred into cash either (a) within the fiscal period or (b) without any great amount of loss. The assets under the modified accrual basis may include cash, accounts receivables, or short term investments, while liabilities may include current accounts payables or current payroll tax payable. (Granof, 2007)

The Society is registered daily entries on the principle of double-entry based on the need to balance both sides of the constraint by the debtor and the creditor, using Alasseel program of accounting to record the daily entries and preparing financial statements.

Assemblies is preparing its financial statements based on the going concern assumption of their business and are also to disclose the financial transactions pertaining to previous years to maintain comparability. Assembly takes the principle of the materiality of elements of financial statements. When the society set up its financial statements it is committed consistently to display the various items in the financial statements, as well as its details. the

Assembly determines the accounting period in which the financial statements prepared by and remember the currency used in the estimation of financial statements which is NIS.

### **4.4.3 | Accounting records used in the society**

Accounting system depends on the accounting records for the purpose of integrated control of the money the Assembly, Assembly used a set of accounting records are as follows :(Weygandt et al, 2009).

1. Cash register: in which record what was possessed and what was paid. It is been in two cases either receipts or payments.
2. Record petty cash fund: where it registers all petty cash that are relatively small payments.
3. General Journal Record: This record is allocated to prove the central operations such restrictions and limitations of the opening closing and adjusting entries.
4. General ledger: this record is allocated to the accounts are posted from the central reality of the entries that are recorded in the general journal record for purpose of compliance with journal record.

### **4.4.4 | Financial statements prepared at the society.**

The society prepares its financial statements at the end of the year the same as any other organization. It prepares the following statements:

1. Revenues and expenditures account
2. Balance sheet
3. Statement of cash flows.

## Revenues and expenditures account.

The society prepares at the end of the year statement of revenues and expenditures in replacement of income statement at business organizations. This account is debited by the expenditure that the society has and credited by different revenues that the society takes. The excess of revenues over expenditures is called surplus and vice versa the excess of expenditures is called deficit.

The table (1) presents the Revenues and expenditures account of the Palestinian Red Crescent Society.

<b>Red Crescent Society for Gaza</b>			
<b>Gaza _ Palestine</b>			
<b>Statement of income and expenses</b>			
<b>As in December 31, 2011</b>			
<b>(Currency: new Israeli shekels) NIS</b>			
	Clarification	2011	<b>2010</b>
Revenue			
Grants and cash donations	15	8927017	<b>8932280</b>
Grant in-kind donations	16	3269326	<b>502349</b>
centers Revenue	17	2635165	<b>3429526</b>
Other Income	18	34699	<b>59025</b>
Sales of medicines and medical supplies	19	306456	<b>271985</b>
The benefits of bank credit	20	587477	<b>135260</b>
Total revenue		15760140	<b>13330425</b>
Expenses			



Medicines and medical consumables	21	283921	<b>312427</b>
Expenses of the centers	22	4740465	<b>4257645</b>
Administrative expenses and medical	23	1387047	<b>1186306</b>
In-kind donations	24	7205	<b>987961</b>
students Aid	25	88613	<b>99246</b>
Social assistance	26	3999682	<b>3037772</b>
Loss on sale of assets		31636	
Total expenses		10538569	<b>9881357</b>
Surplus (deficit) of income over expenditure		5221571	<b>3449068</b>
(Added (deducted			
Depreciation		-961547	<b>-610775</b>
Differences Exchange Rates	2	1846464	<b>-3254088</b>
Surplus (deficit) for the year		6106488	<b>-415795</b>

**General surplus account:** general surplus means that revenues exceed expenditures; this surplus doesn't distribute among members, but transferred into general surplus account. This account is the opposite of the capital account in the business organizations.

## Balance sheet

The society prepare the balance sheet at the end of the year the same as the business organizations, the main difference between the balance sheet of NGO and the balance sheet of business organization is that the general surplus account is used instead of the capital account. The classification of assets and liabilities is the same like for profit organizations.

Assets side may include:

1. Fixed assets: land, equipments, buildings...
2. Current assets: cash and cash equivalents.

3. Other debt balances items: prepaid expenditures, accrued revenues.

Liabilities side may include:

1. Net assets: net assets of current year and net assets carried from previous years.
2. Liabilities: loans, accounts payable.

The following table (2) displays the balance sheet of the Palestinian Red Crescent Society.

<b>Red Crescent Society for Gaza</b>			
<b>Gaza _ Palestine</b>			
<b>Statement of financial position</b>			
<b>As in December 31, 2011</b>			
<b>(Currency: new Israeli shekels) NIS</b>			
	Clarification	2011	2010
<b>Assets</b>			
<b>Current assets</b>			
Cash on hand and at banks	3	14025808	<b>24912993</b>
Receivables	4	211724	<b>212821</b>
Drugs in the stores	5	448733	<b>424739</b>
Loans (for university students)	6	42900	<b>42900</b>
Loans for the institutions	7	556500	
Other debit balances	8	14422	<b>21356</b>
Aesthetic assets		15300087	<b>25614809</b>
<b>Non-current assets</b>			

Long-term deposits	9	25265520	<b>14420000</b>
Fixed assets, net	10	15626106	<b>9648558</b>
Total non-current assets		40891626	<b>24068558</b>
Total Assets		56191713	<b>49683367</b>
<b>Liabilities and net assets</b>			
<b>Current Liabilities</b>			
Due to banks - futures instruments	11	217253	<b>46562</b>
Accounts payable	12	46628	<b>32456</b>
Other credit balances	13	164317	<b>285012</b>
Net Provision for end of service	14	2990138	<b>2652448</b>
Total current liabilities		3418336	<b>3016478</b>
<b>Net assets</b>			
Net assets for the current year	Statement of revenues	6106488	<b>-415795</b>
Net assets carried over from previous years		46666889	<b>47082684</b>
Net assets end of year		52773377	<b>46666889</b>
<b>Total liabilities and net assets</b>			
		56191713	<b>49683367</b>
<b>The attached notes are an integral part of these financial statements</b>			

### Statement of cash flows.

Activities at statement of cash flow are classified as follows:

Operating activities: present the society's ability to generate cash inflows enough to cover the cash outflows needed for operations. Provided operating cash flow reflect the society's liquidity.

Investing activities: reflect the expansion and growing of the society or its shrinking, as the investing cash outflows resulting from purchasing of assets exceed the investing cash inflows resulting from sale of assets the more growing is the society

The table (3) presents the statement of cash flows of the Palestinian Red Crescent Society.

<b>Red Crescent Society for Gaza</b>		
<b>Gaza _ Palestine</b>		
<b>Statement of Cash Flows</b>		
<b>As in December 31, 2011</b>		
<b>(Currency: new Israeli shekels) NIS</b>		
	<b>2011</b>	<b>2010</b>
Cash flows from operating activities		
Excess (deficiency) of revenue expenditure for the year	6106488	<b>-415795</b>
Amendments to the settlement of the surplus or (deficit) year with net cash flows		
Used by operating activities		
Depreciation of fixed assets	961547	<b>610775</b>
Decrease (increase) in receivable accounts	1097	<b>-4468</b>
Decrease (increase) in stores balances	-23994	<b>-142097</b>
Decrease (increase) in city loans	-556500	
Decrease (increase) other receivables	6934	<b>-9700</b>
Increase (decrease) in accounts of the creditor banks	170691	<b>-125603</b>
Increase (decrease) in accounts payable	14172	<b>373</b>

Increase (decrease) in other credit balances	-120695	<b>166538</b>
Increase (decrease) Provision for Service	337690	<b>32390</b>
Net cash flows from operating activities	6897430	<b>112413</b>
Cash flow from investing activities		
Decrease (increase) in long-term deposits	-10845520	<b>14420000</b>
Addition of fixed assets	-7034302	<b>-4972741</b>
The exclusion of fixed assets	95207	<b>151200</b>
Net cash flows from investment activities	-17784615	<b>-19241541</b>
Cash and cash equivalents during the year	-10887185	<b>-19129128</b>
Cash and cash equivalents at beginning of year	24912993	<b>44042121</b>
Cash and cash equivalents at the end of the year - statement A	14025808	<b>24912993</b>

# CHAPTER 5

## RESEARCH METHODOLOGY

- 5.1 Introduction.
- 5.2 Research approach
- 5.3 Research phases.
- 5.4 Data collection.
- 5.5 Population and sample of the study.
- 5.6 Interview advantages and disadvantages.
- 5.7 Summarized interview.

## 5.1 | INTRODUCTION

**T**his chapter explains in details the procedures adapted by the researchers in implementing the study, research methodology identification, defining the study population, the sample of the study, preparing the interview, and summarize the interview.

**The researchers will define these procedures as follows:**

## 5.2 | RESEARCH APPROACH

The researcher used the descriptive analytical approach to complete the study which depends on describing and demonstrate the importance of IAS no 1 in The Red Crescent Society for Gaza.

## 5.3 | RESEARCH PHASES:

**>>The first phase:**

Research proposal, which include generating research topic, identifying the research problem, establishing research objectives, defining the importance of the study, determine the scope and limitations of the research, and developing research plan.

**>>The second phase:**

Summary of literature review about accounting information, and the importance of IAS no1

**>>The third phase:**

Write the interview questions and make the interview with the employees from The Red Crescent Society for Gaza.

**>>The fourth phase:**

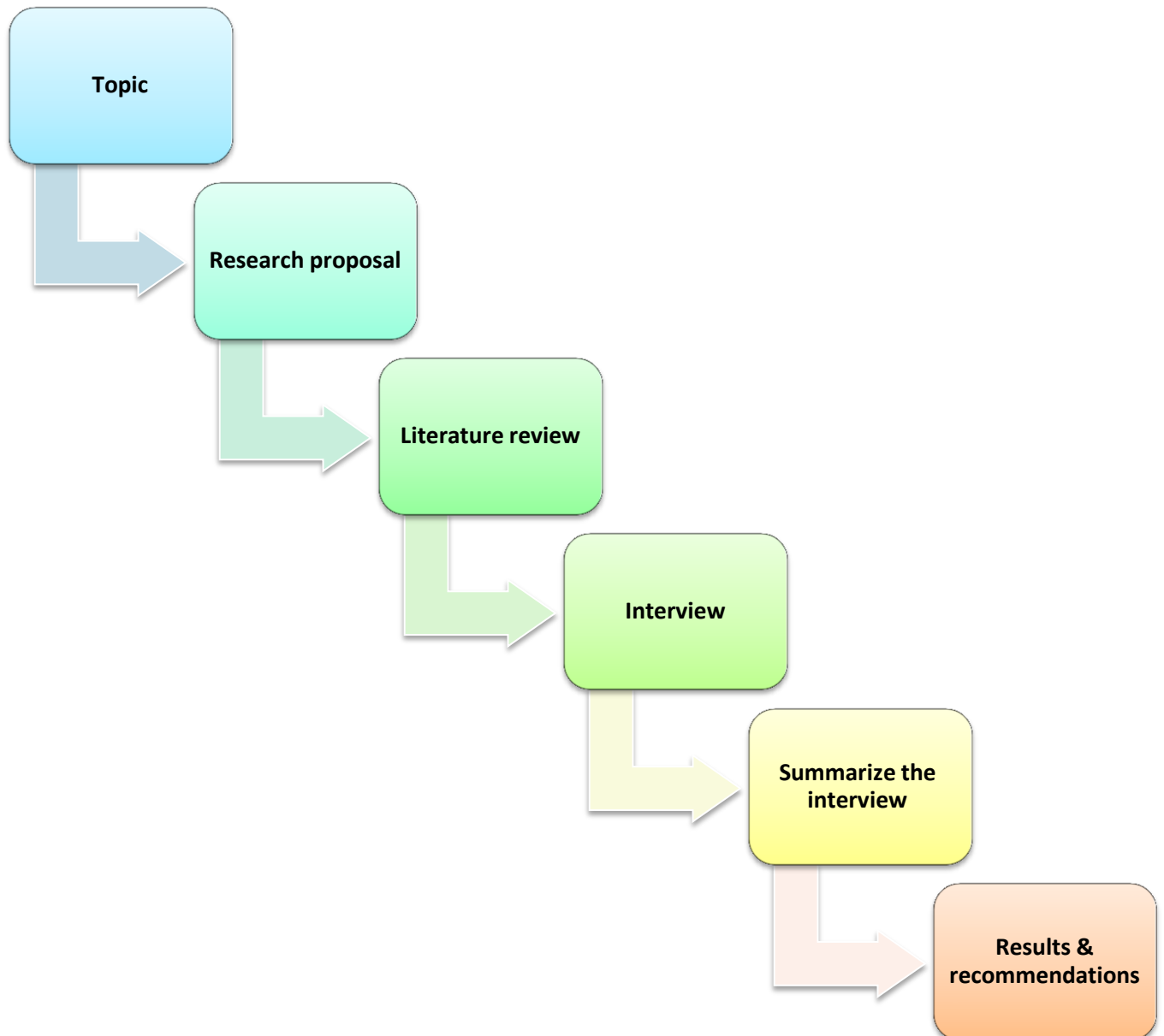
Summarize the questions and its answer after it has been answered by the personnel



>>The fifth phase:

Write the conclusions and recommendations.

The following figure 4.1 illustrates the phases of research that lead to achieve the research objectives. (Figure: 4.1 research phases)



## 5.4 | DATA COLLECTION

### 1. Primary data sources:

The primary source concentrated in interview, which has been designed and prepared specially to meet the research purposes.

### 2. Secondary data sources:

This research would be based on some sources of secondary data, represented mainly in the books, Arabic and English references, researches, studies, specialized magazines and some related sites on the World Wide Web (Internet), which dealt with such research as well as brochures and periodicals that are related to the topic of the study.

## 5.5 | Population and sample of the study

### Research community:

It means all individuals that constitute the subject of study, or all the people the researcher want to know about.

The society of this study consists of NGOs in general and the Red Crescent society in particular.

## **Research sample:**

It is impossible to make the interview with all individuals the researchers want to know about. Instead of this, the researchers select a sample that represent the original society and can generalize its results on the research.

Sample means a set of individuals or items selected from a population for analysis to yield estimates of, or to test hypotheses about, parameters of the whole population, and representative of all community.

The selected sample consists of the Red Crescent society; it was selected as one of the NGOs in Gaza Strip, Where the interview was made with one of its employees.

## **Interview:** (Saunders et al, 2003).

An interview is a purposeful discussion between two or more people.

To complete this research structured interview was made with (Mohammed/Talal AlDreimli) the chief financial officer of the Red Crescent society in Gaza.

## **Content of the interview:**

The interview includes a series of questions relating to the research hypotheses that have been developed, which aims to achieve the objectives of the research.

## **Advantages and disadvantages of the interview:**

### **>>Advantages of using an Interview:**

- ✎ It is a good way to find out the attitudes, thoughts, and behaviors of a group of people.
- ✎ Always offer positive information.
- ✎ Get directly the information that you need.

- ✎ The respondent lacks reading skills to answer a question.
- ✎ Are useful for untangling complex topics.

### **>>Disadvantages of using an Interview:**

- ✎ In some situations it can take a long time.
- ✎ Unwillingness of respondent to provide Information.
- ✎ The interviewer can affect the data if he/she is not consistent.
- ✎ It is very time consuming.
- ✎ It is not used for a large number of people.
- ✎ The Interviewer may be biased and ask closed questions.

### **>>the Summarized Interview:**

Coordinate the interview and summarize the answers of the questions that were obtained in the interview in a scientific and clear way and use clear and understandable terms so that everyone can understand it.

The interview was conducted with Mr. Mohammed/Talal AlDreimli the financial manager at PRCS at Dr. Haider Abdel Shafi center, He was asked many questions about the applicability of IAS.1, and His answers are summarized as follows:

The Red Crescent Society in Gaza follows the Palestinian NGOs laws imposed by the ministry of interior, it issues consolidated financial statements in a formal manner, it also record entries by double entry method using Alaseel accounting program, it facilitates preparing financial statements.

Basic assumptions are considered in preparing financial statements such as: continuity, relevance, and comparability.

The society clearly identifies financial period being reported upon, it is often a year, it also identifies the reporting currency which is the shekel.

Financial information presented by the society is considered to be relevant in decision making since it reflects the financial position of the organization; it is neutral, and complete.

- The society uses cash register, which records the possession of what is received and what is being paid.
- Petty cash is recorded as advances and petty cash with relatively small amounts is paid by the Assembly.
- General Journal Record: prove the limitations of central operations such as opening and closing and settlement
- The general ledger record: transfers daily accounts of the year to be matched and to achieve control over the accounts.

The assembly issues statement of profit and loss, statement of financial position, cash flows statement, and related foot notes.

In the statement of financial position, the society distinguishes between current and non-current assets as well as short term and long term liabilities and other items in the statement. It helps in verifying the accuracy of the expectations of the board of trustees in applying the strategic budget.

In the statement of income and expenses, the society shows all sources of revenue as well as expenses. It provides confidence for users in financial statement in decision making.

In the statement of cash flows, the society discloses all cash inflows and outflows from operational, and investment activities.

The staff became knowledgeable of some of the ways in standard application because of the society's interest in continuous education as it sends its employees to training courses to optimize the application of these standards.

These points show the organization's commitment to IAS 1 'presentation and disclosure'.

- There are several positives from the application of IAS 1, including:
  1. The possibility of unification of the components of financial statements in all branches.
  2. Provide comparable financial information.
  3. Enhance the confidence of users of financial statements.
  4. Provide general rules to guide the preparation of financial statements.
  5. Provide coordination and uniformity in accounting applications.

Noncompliance with International Accounting Standard No. 1 would provide inaccurate information to decision makers, which will lead to difficulty in decision-making process as well as the difficulty of comparison between the annual financial statements, leading to low confidence levels from the lists of beneficiaries and thus the complexity of decision-making process.

- There are several obstacles stand in front of full compliance with the criteria mentioned, including:

1. Lack of qualifications of staff in the financial section.
  2. Lack of professional expertise among the staff members.
  3. Lack of laws that force the application of standard accounting associations.
  4. The different economic conditions and social relations between the countries that issue the standards and other countries.
- 
- There are some ways to improve the commitment of using IAS 1 in preparing financial statements such as:
    1. Improving academic preparation for students of accounting in the Palestinian universities.
    2. Making training courses for teaching accountants how to implement IAS 1.
    3. Issuing laws that require NGOs to apply the standard

## **CHAPTER 6**

### **RESULTS & RECOMMENDATIONS**

**6.1 Results.**

**6.2 Recommendations.**

## 6.1 | Results:

This research aimed to identify the extent to which non-governmental organizations in Gaza Strip in general and the Red Crescent Society, in particular the presentation of financial statements in accordance with the requirements of International Accounting Standard No. (1), researchers through field study tried to know the extent to which the application of IAS (1) in non-governmental organizations and the Red Crescent society in particular, and for this purpose researchers have been conducting interviews with some workers in the financial department in the Assembly as to examine the financial situation and accounting in their association, through analysis and discussion of theoretical and practical aspects of the study and after testing and analyzing the assumptions, researchers found the following results:

1. There is a commitment by the preparers of financial statements in non-governmental organizations for the application of International Accounting Standard (1) when preparing and processing financial statements, and the percentage of commitment more in the presentation of the balance sheet because the balance sheet is one of the most important statements made by non-governmental organizations including the PRCS.
2. The study showed that the number of staff in General Accounting departments and branches have participated in courses related to International accounting standards. In addition, a few of them did not participate for these courses, because of the low rate of participation in courses concerned with international accounting standards to the lack of training courses in international accounting standards, also the low number of seminars and conferences regarding this subject.
3. It is clear from the study that the commitment to the application of international accounting standards achieved a lot of advantages, including the possibility of unifying the components of financial statements in the Assembly, and the provision of financial information are comparable in order to strengthen the confidence of users of financial statements, and providing coordination and uniformity in accounting practices, the availability of the conditions of international acceptance of the financial statements published and issued by the assembly that the organization needs a lot of foreign countries and donors in supporting their work.
4. it became clear through the study that the absence of the application of international accounting standards affect negatively on the credibility of financial statements, providing inaccurate information to decision makers from senior management, leading to wrong decisions, and make it difficult to take financial decisions, which works to lower confidence and credibility in financial statements submitted to the different agencies.
5. There are some obstacles that limit the obligation to apply international accounting standards, including: lack of academic qualifications and professional experience in the staff of the financial section, and the lack of legislation requiring the application of non-governmental organizations.
6. Is clear from the study that the obstacles that limit the obligation to apply international accounting standards can be overcome in several ways and means, to improve academic



preparation for students of accounting in the Palestinian universities, and update the curricula of accounting in the Palestinian universities to go with global trends, and work to pass laws require non- governmental organizations apply the international accounting standards.

7. The financial statements prepared according to International Accounting Standard No. 1 are more credible and transparent; also it produces appropriate accounting information that can be relied upon in the process of rational decision-making.- The International Accounting Standard (1) corresponds to the accounting practices used in the Assembly and the obligation of professional bodies and governmental authorities, the application of international accounting standards increases the quality of information produced by the financial statements.

## 6.2 | Recommendations

The concept of International Accounting Standard (1) is clear to a significant proportion of non-governmental organizations in general and the PRCS in particular, and that the degree of practice is good, this result is promising, but it must build on the result and try to move forward on the same road leading to deeper understanding and dissemination of a more serious practice in this sector, building on the results that have been reached through the field of the study.

The study recommends the following:

- Urging organizations, professional bodies, and standard issuing bodies to work on issuing or improving international accounting standards concerned with the work of NGOs.
- Activating the role of the Association of Accountants and Auditors of Palestine to open training programs for the practical application of international accounting standards.
- Work on the review of educational programs and teaching methods in Palestinian universities and give a good care to develop the skills of accountants, education and to introduce them to international accounting standards.
- Training courses and Workshops has to be made with the use of experts in the field of accounting to develop the efficiency of the preparers of financial statements in the light of international accounting standards.
- To encourage scientific research in the areas of preparation and publication of financial statements in light of the international Accounting Standards.
- Work on the professional accounting organizations in Palestine to organize and unite the accounting practices used in the Palestinian non-governmental organizations.
- Organizing training courses for staff in financial departments of non-governmental organizations on the application of international accounting standards.

- Emphasize on The importance of the concerted efforts of public and private sector to overcome the problems that hinder the application of international accounting standards in the non-governmental organizations in Palestine.
- Work on the establishment of internal control in the non-governmental organizations so as to ensure completion of work in accordance with Accounting International Accounting Standards.
- Urge the senior management of non-governmental organizations on the need to oblige the preparers of the financial statements in the non-governmental organizations to follow international accounting standards when preparing and processing the financial statements.

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<http://www.referenceforbusiness.com/encyclopedia/Inc-Int/International-Accounting-Standards-Committee-IASC.html#ixzz2o3hRXaTE>
- [www.hilal.ps](http://www.hilal.ps)

# **Appendices**



بسم الله الرحمن الرحيم

Islamic University – Gaza  
Faculty of Commerce  
Department of Accounting



الجامعة الإسلامية – غزة  
كلية التجارة  
قسم المحاسبة

Dear Gentleman: Mr. Mohammed/Talal AlDreimli  
Financial manager of PRCS

## **A study is The Commitment of NGO's in Applying the International Accounting Standard No. 1**

Case Study: the Palestinian Red Crescent Society in Gaza Strip

We'd highly appreciate it if you answered the following questions for  
the sake of the scientific research only.

### **The researchers:**

Mona A. El.samak  
Doaa I. Obaid  
Summer M. Al-Jamal

**1. What are the policies and accounting regulations that the Red Crescent society in Gaza commits to in preparing financial statements?**

It follows the law of Palestinian NGOs according to the instructions issued by the Palestinian Ministry of Interior.

The Society is issuing a consolidated financial statements, it lists assets and liabilities, as well as revenue and expenses for all positions uniformly.

It uses the modified accrual basis in the recognition of its revenues and expenses, journal entries are recorded based on the double-entry principle, using Al Aseel accounting program, which enables it to record journal entries and preparing financial statements.

**2. What are the accounting assumptions that the Red Crescent society assumes in preparing financial statements?**

It assumes the continuity of its operations as well as taking into consideration the relevance of information in the financial statements.

The organization issues financial statements for the current and the prior year to achieve comparability; it also presents various items constantly.

**3. Does the society commit in identifying financial information in issuing financial statements?**

When issuing financial statements, the society identifies the period of preparing these statements, often it takes a year. The society issues financial statements in due date which is before 31<sup>st</sup> of March of the next year. Also it identifies the reporting currency in the estimation of financial items which is the shekel

**4. Are the accounting policies followed by the society considered as relevant in decision making?**

Accounting policies represents the financial performance of the society; it also reflects the economic position of the events and operations. These operations are completely neutral and unbiased; accounting data is complete in all respects and therefore can be considered the accounting policies of the Assembly to take appropriate decision. It should be mentioned in this regard that there is no accountant among the members of the Board of Directors which constitutes an obstacle to the use of accounting data in decision-making as the best.

**5. What are the accounting records that the society uses to record the financial events?**

The society uses cash register, which records the possession of what is and what is being paid.

- Petty cash is recorded as advances and petty cash with relatively small amounts is paid by the Assembly.
- General Journal Record: prove the limitations of central operations such as opening and closing and settlement
- The general ledger record: transfers daily accounts of the year to be matched and to achieve control over the accounts.

**6. What are financial statements issued by the society?**

The committee issues a statement of profits and losses, the financial position, cash flows statement, and explanatory notes to complete the financial statements; it is a part and a parcel of the financial statements.

**7. What are the items that are displayed in the statement of financial position of the Association, and what are the benefits of this statement?**

The association distinguishes between currents and non-current assets, as well as the long term and short term liabilities. It presents accounts payable, accounts receivable, provisions, and other items in this statement. This information helps in planning for a strategic budget for three years, the balance sheet helps in preparing the budget; it also helps in verifying the accuracy of the expectations of the board of trustees in applying the strategic budget.

**8. What are the items that are displayed in the statement of income and expenses?**

Assembly is committed to showing all sources of revenue in the statement of revenues and expenses from fees, membership subscriptions and revenue receipts of medical, cultural centers, sports, as well as grants and subsidies show the internal and external part of the revenue.

As for expenses, the committee displays all types of capital expenditure for the purchase of medical equipment and processing, cultural centers and sports clubs as well as operating expenses necessary for the continuation of the business such as routine maintenance and salaries, and others. Characterized by the information contained in the list of confidence and reliability where it is objectively prepared away from bias and personal judgment.

**9. What are the activities disclosed in the cash flow statement?**

The assembly is committed to disclose operational and investment activities that result in cash inflows or outflows. This information contained in the list clear and easy to understand to assist in decision-making process.

**10. To which extent the personnel participate in courses for the accounting standard, and are these standards get application at work?**

Accounting Department staff participates in various Assembly sessions that help improve the performance in special courses of international accounting standards, the staff became knowledgeable in some of these criteria and they could apply some of them in the organization, we also seek to optimize the application of these standards.

**11. What is the Assembly's commitment to standard IAS 1 Presentation of Financial Statements?**

As mentioned previously, the organization is committed to display of financial statements in accordance with the accounting policies set by the International Accounting Standard No. 1, commensurate with the work of the Assembly and its goals.

**12. What are the positives resulting from the application of International Accounting Standard No. 1?**

There are several positives from the application of IAS 1, including:

- The possibility of unification of the components of financial statements in all branches.
- Provide comparable financial information.
- Enhance the confidence of users of financial statements.
- Provide general rules to guide the preparation of financial statements.
- Provide coordination and uniformity in accounting applications.

**13. What are the negativities that may result in the non-compliance with the application of International Accounting Standard No. 1?**

Noncompliance with International Accounting Standard No. 1 would provide inaccurate information to decision makers, which will lead to difficulty in decision-making process as well as the difficulty of comparison between the annual financial statements, leading to low confidence levels from the lists of beneficiaries and thus the complexity of decision-making process.

**14. What are the obstacles that limit the commitment to IAS 1?**

There are several obstacles stand in front of full compliance with the criteria mentioned, including:

- Lack of qualifications of staff in the financial section.
- Lack of professional expertise among the staff members.
- Lack of laws that force the application of standard accounting associations.
- The different economic conditions and social relations between the countries that issue the standards and other countries.

**15. In your opinion, what are the methods that could increase the commitment of using IAS 1 in preparing financial statements?**

- Improving academic preparation for students of accounting in the Palestinian universities.
- Making training courses for teaching accountants how to implement IAS 1.
- Issuing laws that require NGOs to apply the standard.